

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Telecommunications Relay Services and	)	
Speech-to-Speech Services for		CG Docket No. 03-123
Individuals with Hearing and Speech		
Disabilities	)	

**REPLY COMMENTS OF SORENSON COMMUNICATIONS, INC.**

Of the eight initial comments filed in response to the annual rate filing submitted by the National Exchange Carrier Association (“NECA”) for telecommunications relay services,<sup>1</sup> not a single comment supports any of the two dozen rates proposed for video relay service (“VRS”), except the \$6.7738 rate based on providers’ projected cost and demand data.<sup>2</sup> As Sorenson demonstrated in its initial comments, only that rate is consistent with prior Commission precedent and practice. By contrast, all of the other rates proposed by NECA are unlawful.<sup>3</sup>

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<sup>1</sup> *National Exchange Carrier Association (NECA) Submits the Payment Formula and Fund Size Estimate for the Interstate Telecommunications Relay Services (TRS) Fund for the July 2007 through June 2008 Fund Year*, Public Notice, DA 07-1978 (rel. May 2, 2007); *Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate*, attached to Letter from John Ricker, NECA, to Marlene Dortch, FCC Secretary, CG Docket 03-123 (May 1, 2007).

<sup>2</sup> *See* Comments of Sorenson Communications, Inc. at 1, 3, 7-8, 13-17 (“Sorenson Comments”); Comments of Sprint Nextel Corporation at 3 (“Sprint Nextel Comments”); Verizon’s Comments on Payment Formula and Fund Size Estimate at 3 (“Verizon Comments”); Comments on Interstate Relay Services Fund Payment Formula and Fund Size Estimate of Hands On Video Relay Services, Inc. at 34 (May 15, 2007) (“Hands On Comments”). (Except where otherwise indicated, all filings cited herein were submitted in CG Docket No. 03-123 on May 16, 2007.)

<sup>3</sup> *See* Sorenson Comments at 3-4, 6-9, 12-13.

Although the Commission may exclude projected costs that are not reasonable, the record overwhelmingly demonstrates that NECA has proposed to exclude certain provider-projected costs that in fact are reasonable, including costs for outreach, marketing, certified deaf interpreters, interpreter training, indirect provider expenses, and research and development.<sup>4</sup> It is particularly egregious for NECA to propose to exclude costs needed for research and development; much of those costs are needed to provide functionally equivalent 911 service, a goal that the FCC has recognized is critical to the health and safety of deaf VRS users. To deny research and development costs needed to achieve that goal is unconscionable.<sup>5</sup>

As Sorenson demonstrated in its comments, prescribing a reimbursement rate that reflects the weighted average of all providers' reasonable projections sets the rate at a level that approximates the allowable costs that a reasonable provider is expected to incur during the rate year.<sup>6</sup> Consequently, less efficient providers are encouraged to lower their costs, more efficient providers are encouraged to keep their costs down, and both are encouraged to continue to look for ways to improve the availability and quality of their service in order to enhance the appeal of their service to deaf Americans.

As the Commission has found, a primary virtue of this competitive paradigm is that it "rewards efficient providers while . . . creat[ing] incentives for providers with

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<sup>4</sup> See Comments of CSDVRS, LLC on Payment Formula and Fund Size Estimate at 12-17 ("CSDVRS Comments"); Comments of Hamilton Relay, Inc. at 6 ("Hamilton Comments"); Hands On Comments at 11-26, 37-38; Comments of Bob Segalman, Ph.D and Rebecca Ladew at 1-2 (filed May 15, 2006); Sorenson Comments at 17-25; Sprint Nextel Comments at 3-5; Verizon Comments at 4-8.

<sup>5</sup> See Hands On Comments at 13-21, 37 n.20; CSDVRS Comments at 15-17; Hamilton Comments at 6.

<sup>6</sup> See Sorenson Comments at 3-9, 13-17,

above average costs to reduce their costs.”<sup>7</sup> In their comments, some providers attempt to recast this dynamic in a negative light, claiming that the current methodology has tended to “over-compensate” Sorenson and “under-compensate” other providers.’ These commenters apparently favor an approach that would reward inefficiency, rather than one that encourages providers to improve their efficiency. The Commission’s current VRS ratemaking methodology, although not optimal,’ properly rewards the more efficient.

Separate and apart from the twenty-four NECA proposals, CSDVRS and Hands On have endorsed a “tiered” rate structure that would compensate each VRS provider according to a sliding scale of rates applied to monthly minutes.<sup>10</sup> Although this proposal suffers from serious substantive flaws, those shortcomings need not be addressed here because the Commission lacks a procedural basis to consider the proposal in the current rate-setting proceeding. Unless and until the Commission releases an order in the *TRS Rate Methodology* proceeding,<sup>11</sup> the Commission remains bound by its existing approach for establishing the VRS rate.<sup>12</sup>

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<sup>7</sup> *Telecommunications Services for Individuals with Hearing and Speech Disabilities; Recommended TRS Cost Recovery Guidelines*, Memorandum Opinion and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 22948, ¶ 9 n.27 (2001).

<sup>8</sup> See CSDVRS Comments at ii; Hands On Comments at 37.

<sup>9</sup> As Sorenson and other providers have explained, a multi-year price cap approach would be more appropriate than the current approach for establishing rates for VRS and IP Relay. See Sorenson Comments at 16 n.30 (citing filings of other providers and summarizing the benefits of price cap regulation).

<sup>10</sup> CSDVRS Comments at 9-12, 18; Hands On Comments at 51-64.

<sup>11</sup> See *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Further Notice of Proposed Rulemaking, 21 FCC Rcd 8379 (2006) (FCC 06-106) (“*TRS Rate Methodology Proceeding*”).

<sup>12</sup> See Sorenson Comments at 5-6, 10-11 & n.15; Sprint Nextel Comments at 1-3; Verizon Comments at 1, 3, 5-6; see also Hands On Comments at 40.

Finally, contrary to the claims of Sorenson's rivals, Sorenson consistently has complied with the Commission's rules, and when those rules have changed, Sorenson has modified its conduct accordingly.<sup>13</sup> Indeed, in the case of interoperability, Sorenson made its service and videophones fully interoperable well before the Commission mandated interoperability. Sorenson also has aggressively sought to reach out to deaf American Sign Language users who are not aware of VRS, in accord with the universal service mandate of the Americans with Disabilities Act ("ADA"), and has striven to make its service and videophones the best in the business. Sorenson's success, therefore, exemplifies everything the Commission's competitive paradigm was designed to achieve: a technologically advanced service offered in an efficient manner to as many users as possible. These attributes, moreover, are exactly what the ADA requires.<sup>14</sup>

Respectfully submitted,

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<sup>13</sup> Sorenson categorically denies the unsupported allegations of "anti-competitive conduct" leveled by Hands On. See Hands On Comments at 30-31 & n. 16.

<sup>14</sup> 47 U.S.C. § 225(b)(1) & (d)(2).